

BENNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

BENNETT COMMUNITY SCHOOL DISTRICT

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BENNETT COMMUNITY SCHOOL DISTRICT

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BENNETT COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
David Rixe	Board President	2013
Jim VonMuenster	Board Member	2011
Brian Timmerman	Board Member	2011
Chad Petersen	Board Member	2013
Devin Moeller	Board Member	2013
School Officials		
John Sauer	Superintendent	2011
Lonna Moeller	District Secretary/Treasuer	Indefinite
Brian Gruhn	Attorney	Indefinite

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District, Bennett, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

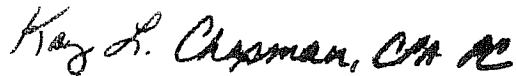
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Bennett Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 8, 2012 on my consideration of Bennett Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

A handwritten signature in black ink that reads "Kay L. Chapman, CPA PC". The signature is written in a cursive, flowing style.

Kay L. Chapman, CPA PC
March 8, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bennett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,615,019 in fiscal 2010 to \$1,851,729 in fiscal 2011, and General Fund expenditures decreased from \$1,879,667 in fiscal 2010 to \$1,872,449 in fiscal 2011. The District's General Fund balance decreased from \$284,155 in fiscal 2010 to \$263,435 in fiscal 2011, a 7% decrease.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue and assuming the responsibility for the preschool program in fiscal 2011. The decrease in expenditures is attributable to small decreases in various areas. However, expenditures still exceeded revenues, so the General Fund balance still decreased slightly in 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bennett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bennett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Bennett Community School District Annual Financial Report

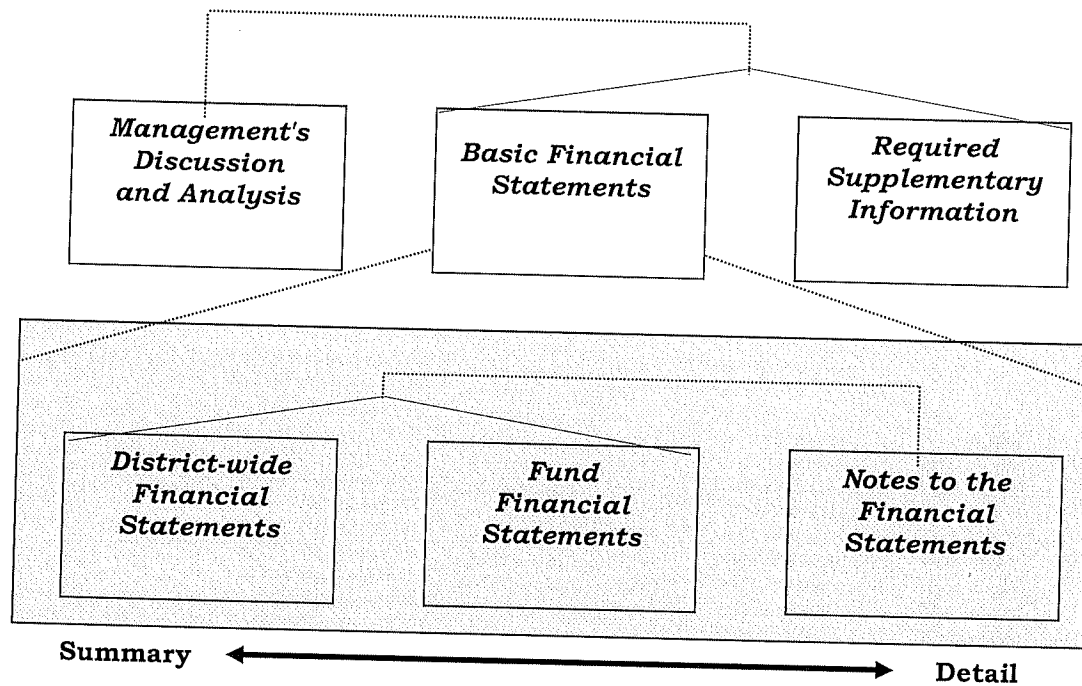


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Fund
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator

of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. During fiscal 2011, the District had one enterprise fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Current and other assets	\$ 2,690,586	\$ 2,575,678	\$ 3,749	\$ 3,351	\$ 2,694,335	\$ 2,579,029	4.47%
Capital assets	<u>391,461</u>	<u>304,105</u>	<u>2,957</u>	<u>3,477</u>	<u>394,418</u>	<u>307,582</u>	28.23%
Total assets	<u>3,082,047</u>	<u>2,879,783</u>	<u>6,706</u>	<u>6,828</u>	<u>3,088,753</u>	<u>2,886,611</u>	7.00%
Long-term liabilities	49,775	138,753	-	-	49,775	138,753	-64.13%
Other liabilities	<u>1,170,223</u>	<u>1,044,562</u>	<u>-</u>	<u>-</u>	<u>1,170,223</u>	<u>1,044,562</u>	12.03%
Total liabilities	<u>1,219,998</u>	<u>1,183,315</u>	<u>-</u>	<u>-</u>	<u>1,219,998</u>	<u>1,183,315</u>	3.10%
Net assets							
Invested in capital assets, net of related debt	391,461	304,105	2,957	3,477	394,418	307,582	28.23%
Restricted	1,178,419	1,234,525	-	-	1,178,419	1,234,525	-4.54%
Unrestricted	<u>292,169</u>	<u>157,838</u>	<u>3,749</u>	<u>3,351</u>	<u>295,918</u>	<u>161,189</u>	83.58%
Total net assets	<u>\$ 1,862,049</u>	<u>\$ 1,696,468</u>	<u>\$ 6,706</u>	<u>\$ 6,828</u>	<u>\$ 1,868,755</u>	<u>\$ 1,703,296</u>	9.71%

The District's combined net assets increased by approximately 10%, or \$165,459 over the prior year. The largest portion of the District's net assets is the restricted net assets. One portion of net assets is Invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$56,106, or approximately 5% from the prior year. The decrease was primarily a result of making no major purchases of buses or vehicles. The District continue to have healthy revenue without having any major expenses, which accounts for the increased balance in the Physical Plant and Equipment Levy Fund and restricted net assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$134,729, or approximately 84%. This increase in unrestricted net assets was a result of general revenues exceeding general expenses throughout the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Revenues							
Program revenues							
Charges for service	\$ 64,428	\$ 49,224	\$ 34,339	\$ 39,022	\$ 98,767	\$ 88,246	11.92%
Operating grants	366,669	343,225	20,563	22,127	387,232	365,352	5.99%
General revenues							
Property tax	1,021,604	1,010,290	-	-	1,021,604	1,010,290	1.12%
Statewide sales, services and use tax	150,953	129,267	-	-	150,953	129,267	16.78%
Unrestricted state grants	598,463	350,977	-	-	598,463	350,977	70.51%
Contributions and donations	19,722	6,402	-	-	19,722	6,402	208.06%
Unrestricted investment earnings	2,474	3,579	-	-	2,474	3,579	-30.87%
Other	<u>4,106</u>	<u>26,480</u>	<u>-</u>	<u>-</u>	<u>4,106</u>	<u>26,480</u>	-84.49%
Total revenues	<u>2,228,419</u>	<u>1,919,444</u>	<u>54,902</u>	<u>61,149</u>	<u>2,283,321</u>	<u>1,980,593</u>	15.28%
Program expenses							
Governmental activities							
Instruction	1,412,317	1,452,489	-	-	1,412,317	1,452,489	-2.77%
Support services	550,381	499,429	-	-	550,381	499,429	10.20%
Non-instructional programs	899	910	55,024	59,810	55,923	60,720	-7.90%
Other expenses	<u>99,241</u>	<u>103,983</u>	<u>-</u>	<u>-</u>	<u>99,241</u>	<u>103,983</u>	-4.56%
Total expenses	2,062,838	2,056,811	55,024	59,810	2,117,862	2,116,621	0.06%
Gain on sale of capital asset	-	2,408	-	-	-	2,408	100.00%
Transfers	<u>-</u>	<u>10</u>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	0.00%
Change in net assets	165,581	(134,949)	(122)	1,329	165,459	(133,620)	223.83%
Net assets, beginning of year	<u>1,696,468</u>	<u>1,831,417</u>	<u>6,828</u>	<u>5,499</u>	<u>1,703,296</u>	<u>1,836,916</u>	-7.27%
Net assets, end of year	<u>\$ 1,862,049</u>	<u>\$ 1,696,468</u>	<u>\$ 6,706</u>	<u>\$ 6,828</u>	<u>\$ 1,868,755</u>	<u>\$ 1,703,296</u>	9.71%

In fiscal 2011, property tax and unrestricted state grants account for 73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$2,283,321 of which \$2,228,419 was for governmental activities and \$54,902 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 15% increase in revenues and a .6% increase in expenses. Unrestricted state grant revenues increased \$247,486 to fund expenditures. The increase in expenses related to increases in several different operational areas including instruction, support services and other expenses. There was also a slight increase in expenditures for non-instructional programs.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2011 were \$2,228,419 and expenses were \$2,062,838. The revenue was lower than the previous year due to a large reduction in unrestricted state grants coupled with smaller increases in the other revenue categories. Expenses were slightly higher than the previous year with small increases in instruction, support services and other expenses.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010- 2011	2011	2010	Change 2010- 2011
Instruction	\$ 1,412,317	\$ 1,452,489	-2.8%	\$ 1,070,175	\$ 1,140,771	-6.2%
Support services	550,381	499,429	10.2%	549,901	498,743	10.3%
Non-instructional programs	899	910	-1.2%	(6,101)	910	-770.4%
Other expenses	<u>99,241</u>	<u>103,983</u>	-4.6%	<u>17,766</u>	<u>23,938</u>	-25.8%
Total expenses	<u>\$ 2,062,838</u>	<u>\$ 2,056,811</u>	0.3%	<u>\$ 1,631,741</u>	<u>\$ 1,664,362</u>	-2.0%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$64,428.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$366,669.
- The net cost of governmental activities was financed with \$1,021,604 in property taxes and \$598,463 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$54,902 representing a 10% decrease from the prior year and expenses were \$55,024, an 8% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenues from 2011 was due to decreased number of lunches and breakfasts served as a result of a slightly lower enrollment.

INDIVIDUAL FUND ANALYSIS

As previously noted, Bennett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,363,106, slightly below last year's ending fund balances of \$1,392,658. The primary reason for the decrease in combined fund balances in fiscal 2011 is due to increased balances in several of the individual funds as well as reduced expenditures in those same accounts. A higher premium in health insurance costs and a decrease in general operating costs also were factors in the final balance.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors, generally declining enrollment, and increased spending for general educational expenses, resulted in a decrease in fund balance. Increased transportation costs and health insurance costs resulted in the General Fund decrease being larger than it otherwise would have been.
- The General Fund balance decreased from \$284,155 to \$263,435 due in part to the decrease in revenues and an increase in expenditures.
- The Physical Plant and Equipment Levy Fund balance decreased from \$337,467 in 2010 to \$327,654 in 2011, due to expense in repairing gym roof.
- The Statewide Sales, Services and Use Tax Fund balance decreased from \$684,568 in 2010 to \$592,291 in 2011. The primary reason for this decrease was that money was transferred from this fund to the debt service fund to pay off our debt.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from \$6,828 at June 30, 2010 to \$6,706 at June 30, 2011, representing a decrease of approximately 2%. The District had a slight increase in the prices for breakfasts and lunches in 2011. Due to a slight decline in enrollment, less students and faculty were eating the meals. The cost of food and salaries continued to rise.

BUDGETARY HIGHLIGHTS

Bennett Community School District did not amend its annual budget during the year ended June 30, 2011.

The District's revenues were \$30,568 less than budgeted revenues, a variance of approximately 1%. The most significant variance resulted from the District receiving less in state aid than expected.

Total expenditures were \$1,329,109 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$394,418, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 28% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$43,083.

The original cost of the District's capital assets was \$1,763,158. Governmental funds account for \$1,715,631, with the remainder of \$47,527 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings and improvements category, which increased from \$120,604 in 2010 to \$239,563 in 2011. This increase was a result of a remodeling project, roofing project and door replacement done during the 2011 fiscal year.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Land	\$ 2,210	\$ 2,210	\$ -	\$ -	\$ 2,210	\$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	239,563	120,604	-	-	239,563	120,604	98.64%
Furniture and equipment	<u>132,488</u>	<u>164,091</u>	<u>2,957</u>	<u>3,477</u>	<u>135,445</u>	<u>167,568</u>	-19.17%
Totals	<u>\$ 391,461</u>	<u>\$ 304,105</u>	<u>\$ 2,957</u>	<u>\$ 3,477</u>	<u>\$ 394,418</u>	<u>\$ 307,582</u>	28.23%

Long-Term Debt

At June 30, 2011, the District had \$49,775 in total long-term debt outstanding. This represents a decrease of approximately 64% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$4 million.

Figure A-7

Outstanding Long-term Obligations			
	Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General obligation bonds	\$ -	\$130,000	-100.00%
Early retirement	30,801	-	100.00%
Net OPEB liability	<u>18,974</u>	<u>8,753</u>	116.77%
Total	<u>\$49,775</u>	<u>\$138,753</u>	-64.13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for the last several years. Projections are for it to stabilize or continue to decline gradually. Grades PreK-6 will be impacted if the decline in enrollment accelerates.
- The District has a three-year whole grade sharing agreement with the Durant School District ending in 2011. Grades 7-12 will be serviced by the Durant School District. The transition has had an economic impact on the District, with payment of 85% of the cost per pupil for those three years coming from the General Fund and 15% of the cost per pupil coming from the LOST fund. Also, the whole grade sharing agreement has initiated a significant number of students to open enroll to a district other than Durant.
- The District negotiated a two-year contract with the Bennett Education Association for the 2011-12 and 2012-2013 school years. Health insurance premiums continue to increase which plays a major role in staff salaries. Teachers with family insurance coverage are required to pay \$50.00 per month toward the premium.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lonna Moeller, Board Secretary/Treasurer, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,435,238	\$ 3,749	\$ 1,438,987
Receivables			
Property tax			
Delinquent	14,058	-	14,058
Succeeding year	1,045,942	-	1,045,942
Income surtax	101,562	-	101,562
Accounts receivable	5,906	-	5,906
Due from other governments	87,880	-	87,880
Non-depreciable capital assets	19,410	-	19,410
Capital assets, net of accumulated depreciation	372,051	2,957	375,008
Total assets	<u>3,082,047</u>	<u>6,706</u>	<u>3,088,753</u>
Liabilities			
Accounts payable	40,236	-	40,236
Salaries and benefits payable	84,045	-	84,045
Deferred revenue			
Succeeding year property tax	1,045,942	-	1,045,942
Long-term liabilities			
Portion due within one year			
Early retirement payable	6,160	-	6,160
Portion due after one year			
Early retirement payable	24,641	-	24,641
Net OPEB liability	18,974	-	18,974
Total liabilities	<u>1,219,998</u>	<u>-</u>	<u>1,219,998</u>
Net Assets			
Invested in capital assets	391,461	2,957	394,418
Restricted for			
Categorical funding	109,549	-	109,549
Management levy	73,345	-	73,345
Physical plant and equipment levy	327,654	-	327,654
Debt service	68,682	-	68,682
Student activities	6,898	-	6,898
School infrastructure	592,291	-	592,291
Unrestricted	292,169	3,749	295,918
Total net assets	<u>\$ 1,862,049</u>	<u>\$ 6,706</u>	<u>\$ 1,868,755</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>							
Governmental activities							
Instruction							
Regular instruction	\$ 1,232,921	\$ 55,252	\$ 282,456	\$ -	\$ (895,213)	\$ -	\$ (895,213)
Special instruction	111,786	-	2,258	-	(109,528)	-	(109,528)
Other instruction	67,610	2,176	-	-	(65,434)	-	(65,434)
	<u>1,412,317</u>	<u>57,428</u>	<u>284,714</u>	<u>-</u>	<u>(1,070,175)</u>	<u>-</u>	<u>(1,070,175)</u>
Support services							
Student	19,777	-	-	-	(19,777)	-	(19,777)
Instructional staff	18,141	-	-	-	(18,141)	-	(18,141)
Administration	246,676	-	-	-	(246,676)	-	(246,676)
Operation and maintenance of plant	143,071	-	-	-	(143,071)	-	(143,071)
Transportation	122,716	-	200	-	(122,516)	-	(122,516)
Other central support	-	-	280	-	280	-	280
	<u>550,381</u>	<u>-</u>	<u>480</u>	<u>-</u>	<u>(549,901)</u>	<u>-</u>	<u>(549,901)</u>
	<u>899</u>	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>6,101</u>	<u>-</u>	<u>6,101</u>
Non-instructional programs							
Other expenses							
Facilities acquisition	173	-	-	-	(173)	-	(173)
Long-term debt interest	7,568	-	-	-	(7,568)	-	(7,568)
AEA flowthrough	81,475	-	81,475	-	-	-	-
Depreciation (unallocated) *	10,025	-	-	-	(10,025)	-	(10,025)
	<u>99,241</u>	<u>-</u>	<u>81,475</u>	<u>-</u>	<u>(17,766)</u>	<u>-</u>	<u>(17,766)</u>
Total governmental activities	<u>2,062,838</u>	<u>64,428</u>	<u>366,669</u>	<u>-</u>	<u>(1,631,741)</u>	<u>-</u>	<u>(1,631,741)</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Exhibit B

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 55,024	\$ 34,339	\$ 20,563	\$ -	\$ (122)	\$ (122)
Total	<u>\$ 2,117,862</u>	<u>\$ 98,767</u>	<u>\$ 387,232</u>	<u>\$ (1,631,741)</u>	<u>(122)</u>	<u>(1,631,863)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				894,286	-	894,286
Debt service				46,720	-	46,720
Capital outlay				80,598	-	80,598
Local option sales, services and use tax				150,953	-	150,953
Unrestricted state grants				598,463	-	598,463
Contributions and donations				19,722	-	19,722
Unrestricted investment earnings				2,474	-	2,474
Other				4,106	-	4,106
Total general revenues				<u>1,797,322</u>	<u>-</u>	<u>1,797,322</u>
Change in net assets				165,581	(122)	165,459
Net assets, beginning of year				1,696,468	6,828	1,703,296
Net assets, end of year				<u>\$ 1,862,049</u>	<u>\$ 6,706</u>	<u>\$ 1,868,755</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2011

		Capital Projects			
		Physical	Statewide		
		Plant and	Sales,	Nonmajor	
		Equipment	Services and	Governmental	
	<u>General</u>	<u>Levy</u>	<u>Use Tax</u>	<u>Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 396,986	\$326,403	\$534,495	\$ 177,354	\$1,435,238
Receivables					
Property tax					
Delinquent	10,912	1,251	-	1,895	14,058
Succeeding year	959,518	86,424	-	-	1,045,942
Accounts receivable	5,136	-	-	770	5,906
Income surtax	101,562	-	-	-	101,562
Due from other governments	27,799	-	60,081	-	87,880
Total assets	<u>\$1,501,913</u>	<u>\$414,078</u>	<u>\$594,576</u>	<u>\$ 180,019</u>	<u>\$2,690,586</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 37,658	\$ -	\$ 2,285	\$ 293	\$ 40,236
Salaries and benefits payable	84,045	-	-	-	84,045
Deferred revenue					
Succeeding year property tax	959,518	86,424	-	-	1,045,942
Income surtax	101,562	-	-	-	101,562
Federal grants	55,695	-	-	-	55,695
Total liabilities	<u>1,238,478</u>	<u>86,424</u>	<u>2,285</u>	<u>293</u>	<u>1,327,480</u>
Fund balance					
Restricted for					
Categorical funding	109,549	-	-	-	109,549
Physical plant and equipment	-	327,654	-	-	327,654
School infrastructure	-	-	592,291	-	592,291
Student activities	-	-	-	6,898	6,898
Management levy purposes	-	-	-	104,146	104,146
Debt service	-	-	-	68,682	68,682
Unassigned	153,886	-	-	-	153,886
Total fund balance	<u>263,435</u>	<u>327,654</u>	<u>592,291</u>	<u>179,726</u>	<u>1,363,106</u>
Total liabilities and fund balance	<u>\$1,501,913</u>	<u>\$414,078</u>	<u>\$594,576</u>	<u>\$ 180,019</u>	<u>\$2,690,586</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2011

Exhibit D

Total fund balances of governmental funds	\$1,363,106
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	391,461
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	157,257
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Long-term liabilities, including termination benefits and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(49,775)</u>
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Net assets of governmental activities	<u><u>\$1,862,049</u></u>
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BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

		Capital Projects		Nonmajor Governmental Funds	Total
		Physical Plant and Equipment	Statewide Sales, Services and Use Tax		
Revenues	General	Levy			
Local sources					
Local tax	\$ 811,984	\$ 80,546	\$150,953	\$121,328	\$1,164,811
Tuition	43,108	-	-	-	43,108
Other	52,513	1,328	861	3,320	58,022
State sources	825,802	52	-	79	825,933
Federal sources	118,322	-	-	-	118,322
Total revenues	<u>1,851,729</u>	<u>81,926</u>	<u>151,814</u>	<u>124,727</u>	<u>2,210,196</u>
Expenditures					
Current					
Instruction					
Regular	1,161,075	-	59,200	1,634	1,221,909
Special	111,239	-	-	-	111,239
Other	63,752	-	-	3,527	67,279
	<u>1,336,066</u>	<u>-</u>	<u>59,200</u>	<u>5,161</u>	<u>1,400,427</u>
Support services					
Student	19,588	-	-	-	19,588
Instructional staff	18,072	-	-	-	18,072
Administration	207,321	1,670	-	5,065	214,056
Operation & maintenance	117,199	90,069	-	10,651	217,919
Transportation	92,728	-	-	5,532	98,260
	<u>454,908</u>	<u>91,739</u>	<u>-</u>	<u>21,248</u>	<u>567,895</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>899</u>	<u>899</u>
Other expenditures					
Facilities acquisition	-	-	50,908	-	50,908
Long-term debt					
Principal	-	-	-	130,000	130,000
Interest and fiscal charges	-	-	-	8,144	8,144
AEA flowthrough	81,475	-	-	-	81,475
	<u>81,475</u>	<u>-</u>	<u>50,908</u>	<u>138,144</u>	<u>270,527</u>
Total expenditures	<u>1,872,449</u>	<u>91,739</u>	<u>110,108</u>	<u>165,452</u>	<u>2,239,748</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

	Capital Projects				
	General	Physical	Statewide	Nonmajor Governmental Funds	Total
		Plant and Equipment Levy	Sales, Services and Use Tax		
Excess (deficiency) of revenues over (under) expenditures	\$ (20,720)	\$ (9,813)	\$ 41,706	\$ (40,725)	\$ (29,552)
Other financing sources (uses)					
Interfund operating transfers in	-	-	-	133,983	133,983
Interfund operating transfers (out)	-	-	(133,983)	-	(133,983)
Total other financing sources (uses)	-	-	(133,983)	133,983	-
Net change in fund balances	(20,720)	(9,813)	(92,277)	93,258	(29,552)
Fund balance, beginning of year, as restated	<u>284,155</u>	<u>337,467</u>	<u>684,568</u>	<u>86,468</u>	<u>1,392,658</u>
Fund balance, end of year	<u>\$ 263,435</u>	<u>\$327,654</u>	<u>\$592,291</u>	<u>\$179,726</u>	<u>\$1,363,106</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit F

Net change in fund balances - total governmental funds \$ (29,552)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$ 129,919	
Depreciation expense	<u>(42,563)</u>	87,356

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.	18,223
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	130,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	(30,801)	
Other postemployment benefits	<u>(10,221)</u>	(41,022)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>576</u>
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Change in net assets of governmental activities	<u>\$ 165,581</u>
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BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2011

Exhibit G

	<u>Nonmajor School Nutrition</u>
Assets	
Cash and pooled investments	\$ 3,749
Capital assets, net of accumulated depreciation	<u>2,957</u>
Total assets	<u>6,706</u>
Liabilities	<u>-</u>
Net Assets	
Invested in capital assets	2,957
Unrestricted	<u>3,749</u>
Total net assets	<u><u>\$ 6,706</u></u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

Exhibit H

	<u>Nonmajor</u>
	<u>School</u>
	<u>Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$34,339</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	18,210
Benefits	2,665
Purchased services	97
Supplies	33,532
Depreciation	<u>520</u>
Total operating expenses	<u>55,024</u>
Operating loss	<u>(20,685)</u>
Non-operating revenues	
State sources	393
Federal sources	<u>20,170</u>
Total non-operating revenues	<u>20,563</u>
Net loss	(122)
Net assets, beginning of year	<u>6,828</u>
Net assets, end of year	<u>\$ 6,706</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

Exhibit I

	Nonmajor School <u>Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 34,453
Cash payments to employees for services	(20,875)
Cash payments to suppliers for goods and services	<u>(30,615)</u>
Net cash used in operating activities	<u>(17,037)</u>
Cash flows from non-capital financing activities	
State grants received	393
Federal grants received	<u>17,816</u>
Net cash provided by non-capital financing activities	<u>18,209</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	1,172
Cash and cash equivalents, beginning of year	<u>2,577</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,749</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(20,685)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	520
Commodities used	2,354
Decrease in accounts receivable	114
Decrease in inventory	<u>660</u>
Net cash used in operating activities	<u><u>\$(17,037)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2011 the District received \$2,354 of federal commodities.

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The Bennett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Bennett, Iowa, and the agricultural territory in Cedar and Scott Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bennett Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Bennett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure purposes.

The District reports no major proprietary funds. However, it reports one nonmajor proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are

recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$2 ,500
Buildings	\$ 2,500
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement termination benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current

period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$73,345 for management levy purposes, \$327,654 for physical plant and equipment, \$68,682 for debt service, \$6,898 for student activities and \$592,291 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,095,917 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Iowa Schools Joint Investment Trust is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Capital projects	Non-major governmental	
Statewide sales, services and use tax	Debt service	\$ 133,983

The transfer from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for payment of principal and interest on bonds.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 2,210	\$ -	\$ -	\$ 2,210
Land improvement	<u>17,200</u>	<u>-</u>	<u>-</u>	<u>17,200</u>
Total capital assets, not being depreciated	<u>19,410</u>	<u>-</u>	<u>-</u>	<u>19,410</u>
Capital assets being depreciated:				
Buildings and improvements	801,785	124,855	-	926,640
Furniture and equipment	<u>816,517</u>	<u>5,064</u>	<u>(52,000)</u>	<u>769,581</u>
Total capital assets being depreciated	<u>1,618,302</u>	<u>129,919</u>	<u>(52,000)</u>	<u>1,696,221</u>
Less accumulated depreciation for:				
Buildings and improvements	681,181	5,896	-	687,077
Furniture and equipment	<u>652,426</u>	<u>36,667</u>	<u>(52,000)</u>	<u>637,093</u>
Total accumulated depreciation	<u>1,333,607</u>	<u>42,563</u>	<u>(52,000)</u>	<u>1,324,170</u>
Total capital assets being depreciated, net	<u>284,695</u>	<u>87,356</u>	<u>-</u>	<u>372,051</u>
Governmental activities capital assets, net	<u>\$ 304,105</u>	<u>\$ 87,356</u>	<u>\$ -</u>	<u>\$ 391,461</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 47,527	\$ -	\$ -	47,527
Less accumulated depreciation	<u>44,050</u>	<u>520</u>	<u>-</u>	<u>44,570</u>
Business type activities capital assets, net	<u>\$ 3,477</u>	<u>\$ (520)</u>	<u>\$ -</u>	<u>\$ 2,957</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 5,000
Support services	
Operation and maintenance of plant	3,850
Transportation	<u>23,688</u>
	32,538
Unallocated depreciation	<u>10,025</u>
Total governmental activities depreciation expense	<u>\$ 42,563</u>

Business type activities

Food services	<u>\$ 520</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 130,000	\$ -	\$(130,000)	\$ -	\$ -
Early retirement	-	30,801	-	30,801	6,160
Net OPEB liability	8,753	10,221	-	18,974	-
Totals	<u>\$ 138,753</u>	<u>\$ 41,022</u>	<u>\$(130,000)</u>	<u>\$ 49,775</u>	<u>\$ 6,160</u>

Interest costs incurred and charged to expense on all long-term debt was \$7,568 for the year ended June 30, 2011. During the year ended June 30, 2011, the District made principal payments on total long-term debt of \$130,000.

Termination Benefits

During the fiscal year ended June 30, 2011, the District offered a voluntary early retirement plan to its licensed employees, who met certain eligibility guidelines. This voluntary early retirement plan is offered annually, at the Board's discretion. Eligible employees were required to be at least age fifty-seven years of age and have completed fifteen years of consecutive contracted full-time service to the District. Employees were required to complete an application, which was approved by the Board of Education. The benefit amount is \$25,000 per retiree. Retirees may also qualify for additional per diem pay for unused sick leave:

- 20 additional days per diem pay for 110-120 unused sick leave days
- 15 additional days per diem pay for 100-109 unused sick leave days
- 10 additional days per diem pay for 90-99 unused sick leave days
- 5 additional days per diem pay for 80-89 unused sick leave days

Benefits are paid in five equal installments over five fiscal years, beginning with the year following retirement. There were no expenditures for termination benefits for the year ended June 30, 2011. At June 30, 2011, the District had obligations to one participant totaling of \$30,801. This long-term liability is generally liquidated with funds from the Management Levy.

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District is required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$49,018, \$45,793 and \$41,189, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 25 active members, of which 13 waived coverage and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal Financial. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District pays for all of active full-time employees' coverage and a portion of the coverage for active members who are not full-time. Retired participants are assumed to pay 100% of the required premium. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,456
Interest on net OPEB obligation	219
Adjustment to annual required contribution	<u>546</u>
Annual OPEB cost	10,221
Contributions made	<u>-</u>
Increase in net OPEB obligation	10,221
Net OPEB obligation beginning of year	<u>8,753</u>
Net OPEB obligation end of year	<u>\$ 18,974</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed nothing to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 8,753	0.0%	\$ 8,753
2011	\$ 10,221	0.0%	\$ 18,974

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$77,964, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$77,964. The covered payroll (annual payroll of active employees covered by the plan) was \$707,591 and the ratio of UAAL to covered payroll was 11%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$378 for single and \$1,070 for family. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$81,475 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Whole-grade Sharing Agreement

In July 2005 the Bennett Community School District entered into a whole-grade sharing agreement with Durant Community School District whereby the District began sending their students in grades 7-12 to Durant Community School District for instruction beginning in fiscal 2006. After June 30, 2005, the Bennett Community School District no longer provided instruction within their district for middle school and high school students. Bennett Community School District receives funding from the State of Iowa for these students, who continue to be counted on the District's certified enrollment. In turn, the District pays tuition for these students to Durant Community School District based upon the amount stated in the whole-grade sharing agreement.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures

financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program

Home school assistance program	\$ 1,301
Gifted and Talented	39,178
Beginning teacher mentoring and induction program	804
Evaluator training	6
Teacher salary supplement	12,979
Class size reduction	50,283
Educator quality, professional development	<u>4,998</u>
	<u>\$ 109,549</u>

Note 13. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting

guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This

Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue</u>
	<u>Physical Plant and Equipment</u>	<u>Physical Plant and Equipment</u>
	<u>Levy</u>	<u>Levy</u>
Balances June 30, 2010, as previously reported	\$ -	\$ 337,467
Change in fund type classification per implementation of GASB Statement No. 54	<u>337,467</u>	<u>(337,467)</u>
Balances July 1, 2010, as restated	<u><u>\$337,467</u></u>	<u><u>\$ -</u></u>

Required Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
 All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 For the Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 1,265,941	\$ 34,339	\$1,300,280	\$1,281,053	\$1,281,053	\$ 19,227
State sources	825,933	393	826,326	944,113	944,113	(117,787)
Federal sources	118,322	20,170	138,492	70,500	70,500	67,992
Total revenues	<u>2,210,196</u>	<u>54,902</u>	<u>2,265,098</u>	<u>2,295,666</u>	<u>2,295,666</u>	<u>(30,568)</u>
Expenditures/Expenses						
Instruction	1,400,427	-	1,400,427	1,664,138	1,664,138	263,711
Support services	567,895	-	567,895	707,991	707,991	140,096
Non-instructional programs	899	55,024	55,923	73,399	73,399	17,476
Other expenditures	270,527	-	270,527	1,178,353	1,178,353	907,826
Total expenditures/expenses	<u>2,239,748</u>	<u>55,024</u>	<u>2,294,772</u>	<u>3,623,881</u>	<u>3,623,881</u>	<u>1,329,109</u>
Deficiency of revenues under expenditures/expenses	(29,552)	(122)	(29,674)	(1,328,215)	(1,328,215)	1,298,541
Net other financing sources	-	-	-	4,500	4,500	(4,500)
Net change in fund balance	(29,552)	(122)	(29,674)	(1,323,715)	(1,323,715)	1,294,041
Balance, beginning of year	<u>1,392,658</u>	<u>6,828</u>	<u>1,399,486</u>	<u>1,380,510</u>	<u>1,380,510</u>	<u>18,976</u>
Balance, end of year	<u>\$ 1,363,106</u>	<u>\$ 6,706</u>	<u>\$1,369,812</u>	<u>\$ 56,795</u>	<u>\$ 56,795</u>	<u>\$1,313,017</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 75,018	\$ 75,018	\$ -	\$ 707,896	10.6%
2011	July 1, 2009	-	77,964	77,964	-	707,591	11.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Schedule 1

	<u>Special Revenue</u>			
	<u>Student</u>	<u>Management</u>	<u>Debt</u>	<u>Total</u>
	<u>Activity</u>	<u>Levy</u>	<u>Service</u>	
Assets				
Cash and pooled investments	\$ 6,421	\$ 102,976	\$67,957	\$177,354
Receivables				
Property tax				
Delinquent	-	1,170	725	1,895
Accounts receivable	770	-	-	770
Total assets	<u>\$ 7,191</u>	<u>\$104,146</u>	<u>\$68,682</u>	<u>\$180,019</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293</u>
Fund balances				
Restricted for				
Student activities	6,898	-	-	6,898
Management levy purposes	-	104,146	-	104,146
Debt service	-	-	68,682	68,682
Total fund balances	<u>6,898</u>	<u>104,146</u>	<u>68,682</u>	<u>179,726</u>
Total liabilities and fund balances	<u>\$ 7,191</u>	<u>\$104,146</u>	<u>\$68,682</u>	<u>\$180,019</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

Schedule 2

	<u>Special Revenue</u>		<u>Debt</u>	
	<u>Student</u>	<u>Management</u>	<u>Service</u>	<u>Total</u>
Revenues	<u>Activity</u>	<u>Levy</u>		
Local sources				
Local taxes	\$ -	\$ 74,638	\$ 46,690	\$121,328
Other	3,034	176	110	3,320
Total revenues	<u>3,034</u>	<u>74,863</u>	<u>46,830</u>	<u>124,727</u>
Expenditures				
Current				
Instruction				
Regular	-	1,634	-	1,634
Other	<u>3,527</u>	<u>-</u>	<u>-</u>	<u>3,527</u>
Total instruction	<u>3,527</u>	<u>1,634</u>	<u>-</u>	<u>5,161</u>
Support services				
Administration	-	5,065	-	5,065
Operation and maintenance of plant	-	10,651	-	10,651
Transportation	<u>-</u>	<u>5,532</u>	<u>-</u>	<u>5,532</u>
Total support services	<u>-</u>	<u>21,248</u>	<u>-</u>	<u>21,248</u>
Non-instructional programs	<u>-</u>	<u>899</u>	<u>-</u>	<u>899</u>
Other expenditures				
Long-term debt				
Principal	-	-	130,000	130,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>8,144</u>	<u>8,144</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>138,144</u>	<u>138,144</u>
Total expenditures	<u>3,527</u>	<u>23,781</u>	<u>138,144</u>	<u>165,452</u>
Excess (deficiency) of revenues over				
(under) expenditures	(493)	51,082	(91,314)	(40,725)
Other financing sources				
Interfund operating transfers in	<u>-</u>	<u>-</u>	<u>133,983</u>	<u>133,983</u>
Net change in fund balances	(493)	51,082	42,669	93,258
Fund balances, beginning of year	<u>7,391</u>	<u>53,064</u>	<u>26,013</u>	<u>86,468</u>
Fund balances, end of year	<u>\$ 6,898</u>	<u>\$ 104,146</u>	<u>\$ 68,682</u>	<u>\$ 179,726</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Yearbook	\$ 1,320	\$ 935	\$ 1,105	\$ 1,150
Band	173	-	-	173
Vocal	434	-	-	434
Swimming	230	-	-	230
Alumni	328	-	-	328
Student council	3,914	1,341	1,502	3,753
Drama	531	758	920	369
Music supplies	310	-	-	310
Interest	151	-	-	151
Totals	<u>\$ 7,391</u>	<u>\$ 3,034</u>	<u>\$ 3,527</u>	<u>\$ 6,898</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

Schedule 4

	Modified Accrual Basis							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues								
Local sources								
Local tax	\$1,164,811	\$1,133,788	\$1,071,909	\$1,079,748	\$1,139,265	\$1,100,314	\$1,176,943	\$1,128,645
Tuition	43,108	27,730	26,665	25,640	35,397	18,964	34,395	22,785
Other	58,022	62,289	86,428	113,181	102,757	122,711	124,322	171,469
State sources	825,933	537,167	882,724	949,175	854,228	826,719	795,556	764,824
Federal sources	118,322	145,607	49,692	29,501	42,307	61,108	76,471	90,988
Total revenues	<u>\$2,210,196</u>	<u>\$1,906,581</u>	<u>\$2,117,418</u>	<u>\$2,197,245</u>	<u>\$2,173,954</u>	<u>\$2,129,816</u>	<u>\$2,207,687</u>	<u>\$2,178,711</u>
Expenditures								
Current								
Instruction								
Regular	\$1,221,909	\$1,244,212	\$1,217,833	\$1,151,235	\$1,124,226	\$1,129,230	\$1,061,298	\$1,030,869
Special	111,239	122,717	111,420	163,629	196,736	169,487	218,180	225,327
Other	67,279	71,259	61,015	54,293	43,174	90,744	217,229	211,075
Support services								
Student	19,588	18,866	9,699	9,665	6,325	5,597	27,540	20,708
Instructional staff	18,072	21,212	26,726	39,423	20,219	19,845	12,104	3,967
Administration	214,056	205,315	214,061	186,590	175,622	220,663	323,714	297,488
Operation and maintenance of plant	217,919	119,225	143,055	145,872	122,963	118,335	127,609	171,709
Transportation	98,260	175,081	79,249	99,952	78,215	131,348	107,282	92,746
Central support	-	-	-	-	-	-	-	12,171
Non-instructional programs	899	910	831	748	158	-	-	-
Other expenditures								
Facilities acquisition	50,908	34,596	63,687	27,335	29,964	37,693	35,027	25,672
Long-term debt								
Principal	130,000	40,000	40,000	35,000	35,000	30,000	30,000	108,221
Interest and other charges	8,144	9,415	11,515	13,352	15,190	16,765	18,340	23,433
AEA flowthrough	81,475	80,045	76,498	75,096	71,569	68,747	68,327	69,596
Total expenditures	<u>\$2,239,748</u>	<u>\$2,142,853</u>	<u>\$2,055,589</u>	<u>\$2,002,190</u>	<u>\$1,919,361</u>	<u>\$2,038,454</u>	<u>\$2,246,650</u>	<u>\$2,292,982</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 8, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bennett Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Bennett Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Bennett Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal

control described in Part I of the accompanying Schedule of Findings as items A, B, C and D to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bennett Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However I noted a material instance of non-compliance which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bennett Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Bennett Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bennett Community School District and other parties to whom Bennett Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Bennett Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
March 8, 2012

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not include the early retirement liability in the long-term liabilities account group on its CAR filed with the Iowa Department of Education. This misstatement will result in a correction to the beginning balance of the account group affected on next year's CAR.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

- D. Signature Stamp - The District uses a signature stamp for the Board President on checks and other documents. This stamp is maintained and used by the Board Secretary.

Recommendation - The use of a signature stamp does not necessarily result in a deficiency in controls. However, it should be maintained and used by the person whose signature it bears. The use of the Board President's signature stamp by the Board Secretary overrides the requirement for dual signatures on District checks and creates a deficiency in controls.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Response - We will investigate alternatives to our current procedure to correct this control deficiency.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, a significant deficiency in one of the amounts reported was detected.

Recommendation - The District should ensure that the long-term liabilities account group on next year's Certified Annual Report is properly reported.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2011

Response - We will include the early retirement liability in the long-term liabilities account group on our CAR for the year ending June 30, 2012, as recommended.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 684,568
Revenues		
Statewide sales, services and use tax	\$ 150,953	
Other local revenues	<u>861</u>	151,814
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$(110,108)	
Debt service for school infrastructure		
General obligation debt	<u>(133,983)</u>	<u>(244,091)</u>
Ending balance		<u>\$ 592,291</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

BENNETT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2011

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant